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No. 91-1438

Supreme Court, U.S.
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In The

SUPREME COURT OF THE UNITED STATES

October Term, 1991

BROADCAST MUSIC, INC.,

Petitioner,

vs.

EDISON BROTHERS' STORES, INC.

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the United States Court of Appeals for the Eighth Circuit erred in holding that each Edison store operating a homestyle radio under Edison's Radio Policy is exempt from copyright liability under 17 U.S.C. § 110(5) because each uses "a single receiving apparatus of a kind commonly used in private homes" and no "direct charge is made to see or hear the transmission" and "the transmission thus received is [not] further transmitted to the public."

2. Whether the Court of Appeals erred in refusing to accept BMI's novel contention that, regardless of the fact that all of Edison's stores comply with the requirements of 17 U.S.C. § 110(5), Edison should nevertheless be precluded from invoking the statute because Edison operates radios at more than one location.

3. Whether the Court of Appeals erred in refusing to rewrite the clear and unambiguous language of 17 U.S.C. § 110(5) to add a "maximum square footage" limitation and an "inability to pay" limitation not found in the statutory language.

4. Whether the Court of Appeals erred in holding that the Berne Convention has no impact on the application of 17 U.S.C. § 110(5) in this case.

LIST OF PARTIES

The parties to the proceedings below were (1) Broadcast Music, Inc., the petitioner herein, and (2) Edison Brothers Stores, Inc., the respondent herein. Edison Brothers Stores, Inc., operates several wholly-owned subsidiaries, and has no parent companies and one less than wholly-owned subsidiary, Dave & Buster's, Inc., the stock of which is not publicly traded.

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RESPONDENT'S BRIEF IN OPPOSITION

Respondent Edison Brothers Stores, Inc. ("Edison") respectfully requests that this Court deny the petition for writ of certiorari seeking review of the opinion of the United States Court of Appeals for the Eighth Circuit filed January 13, 1992.

STATEMENT OF THE CASE

Edison operates approximately 2500 retail clothing and shoe stores located for the most part in small commercial spaces in shopping centers and malls. After the enactment of the 1976 Copyright Act, Edison developed a "Radio Policy" to permit employees at its stores to listen to the radio in compliance with the copyright exemption provided by 17 U.S.C. § 110(5). This statute, sometimes called the "homestyle equipment exemption," authorizes any person to play a radio in a public place, so long as the radio equipment is "of a kind commonly used in private homes":

> § 110. Notwithstanding the provisions of section 106, the following are not infringements of copyright: . . . .
>
> (5) communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless--
>
> (A) a direct charge is made to see or hear the transmission; or
>
> (B) the transmission thus received is further transmitted to the public.

17 U.S.C. § 110(5).

Edison's Radio Policy was tailored to the requirements of § 110(5). The Policy provides:

1. Only simple, low grade radio-only receivers are to be used.

2. Only two speakers may be attached to a radio receiver.

3. The speakers must be placed within 15 feet of the receiver.

4. Speakers that are built into the walls or ceilings must not be used. Only portable box speakers are allowed.

5. [Edison will a]dvise each store manager that they are not to use tapes, cassettes, or any other type of recording equipment in their stores. They are to play the radio only.

Edison Brothers' Stores, Inc. v. Broadcast Music, Inc., No. 91-2115, Slip Op. at 2 (8th Cir. Jan. 13, 1992) *aff'g* 760 F. Supp. 767 (E.D. Mo. 1991). *See Edison*, 760 F. Supp. at 769-70. The District Court found that "Edison has submitted voluminous exhibits and affidavits to demonstrate its rigorous compliance with the above Radio Policy in each of its stores." *Edison*, 760 F. Supp. at 770. This finding was not challenged on appeal.

Petitioner Broadcast Music, Inc. ("BMI") is a national corporation to which composers have assigned the "public performance" rights of over 1.2 million songs. BMI sells licenses to perform these songs to radio stations and other establishments, and passes on

a percentage of royalty payments to the composers. BMI collected over $242 million in fees in 1989, retaining approximately $44 million for its own salaries and expenses. BMI also sends employees around the country to search out unlicensed uses of music and procure license agreements. BMI's executives establish "incentive plans" and "revenue goals," and both the executives and investigators are compensated in proportion to the number of licenses sold.

As early as 1982, Edison had discussions with representatives of BMI concerning Edison's Radio Policy, and BMI did not raise any objection to the policy over the next several years.[1/] In 1988, BMI acquired new management, which resolved to increase BMI's revenues by demanding license fees from Edison and other chain stores that use homestyle radios. Based on BMI's current fee structure, BMI hoped to receive over $110,000 from Edison every year in perpetuity, as well as similar fees from thousands of other businesses that listen to the radio.

After attempts to negotiate with BMI proved unsuccessful, Edison on February 23, 1990, filed this action for declaratory relief in the United States District Court for the Eastern District of Missouri. The District Court granted Edison's motion for summary judgment, holding that Edison is exempt under 17 U.S.C. § 110(5)

1/ Edison contended in the District Court that it had reached an agreement with BMI in 1982 concerning Edison's use of radios, and that BMI is estopped from challenging that agreement; however, Edison's estoppel claim was not resolved by the District Court and was not addressed by the Court of Appeals. *Edison*, Slip Op. at 1, n.2.

from paying license fees to BMI. A unanimous panel of the United States Court of Appeals for the Eighth Circuit affirmed.

In the courts below, BMI did not dispute that Edison's radio equipment is "of a kind commonly used in private homes," that no "direct charge is made" to hear the radios, and that "the transmission thus received is [not] further transmitted to the public" as provided in 17 U.S.C. § 110(5). *Edison*, Slip Op. at 4; *see* Petition for Writ of Certiorari ("Petition") at 14. Instead, BMI raised four arguments that were rejected by both the District Court and Court of Appeals:

1. The reference in § 110(5) to performance of a work "on a single receiving apparatus" means that Edison as a whole can only use one receiving apparatus, regardless of the number of performances or locations at issue. (The "single per user" argument) *See* Petition at 24-26. The Court of Appeals rejected this interpretation as contrary to "the plain language of the statute." *Edison*, Slip Op. at 5.

2. The statute contains an unstated "maximum size limitation" rendering the exemption unavailable to any commercial establishment with over 1055 square feet of total space and 620 square feet of public space. *See* Petition at 14-18, 27. The Court of Appeals found that this contention was unsupported by the language of the statute or the legislative history and accordingly declined "to rewrite the

§ 110(5) exemption to add new requirements." *Edison*, Slip Op. at 6-11.

3. The statute contains an unstated "inability to pay" requirement, rendering the exemption unavailable to anyone with the financial means to pay BMI's license fees. *See* Petition at 18-20, 27. Again, the Court of Appeals rejected this contention as unsupported by the language or legislative history of § 110(5). *Edison*, Slip Op. at 11-12.

4. An interpretation of the statute that does not conform with BMI's Arguments Nos. 1 through 3 would be a violation of the Berne Convention for the Protection of Literary and Artistic Works (the "Berne Convention"). *See* Petition at 28-29. The Court of Appeals rejected this argument because Congress explicitly determined that § 110(5) as written complies with the Berne Convention and has by statute forbidden any expansion of authors' rights based on the treaty. *Edison*, Slip Op. at 13-15.

REASONS FOR DENYING THE WRIT

Petitioner BMI asserts in its petition for a writ of certiorari that the decision of the Eighth Circuit was "wrongly decided" and creates "a clear split in the interpretation of copyright law between a number of federal courts." Petition at 8-9. In response, Edison respectfully submits that the decision of the Eighth Circuit is entirely consistent with the decisions of other federal circuit and district courts applying 17 U.S.C. § 110(5), and that the Eighth Circuit correctly rejected

BMI's arguments that it should impose additional non-statutory criteria on the application of the homestyle equipment exemption.

I. There Is No Conflict Among the Lower Courts

a. No Court, Treatise, Commentary, or Other Authority Has Previously Considered BMI's "Single Per User" Argument

The Eighth Circuit's rejection of BMI's "single per user" argument creates no conflict with any decision of any other court because no court has ever embraced the peculiar notion that § 110(5) can never apply to more than one location (although many of the cases decided under § 110(5) have involved multiple locations).[2/] Until this case, no court, law review article, treatise, or legislative report had ever even considered the novel argument advanced by BMI that different radios thousands of miles apart, tuned to different radio stations playing different songs, can be considered a single "communication of a transmission embodying a performance" within the meaning of § 110(5).

2/ *E.g., Broadcast Music, Inc. v. United States Shoe Corp.*, 678 F.2d 816 (9th Cir. 1982)(600 stores); *Sailor Music v. The Gap Stores, Inc.*, 516 F. Supp. 923 (S.D.N.Y), *aff'd per curiam* 668 F.2d 84 (2d Cir. 1981), *cert. denied* 456 U.S. 945 (1982)(420 stores); *Merrill v. Bill Miller's Bar-B-Q Enterprises, Inc.*, 688 F. Supp. 1172 (W.D. Tex. 1988)(43 restaurants); *Rodgers v. Eighty Four Lumber Co.*, 617 F.Supp 1021 (W.D. Pa. 1985)(five stores); *Merrill v. County Stores, Inc.*, 669 F. Supp. 1164 (D.N.H. 1987)(at least four stores).

The Eighth Circuit properly rejected this argument because "it defies the plain language of the statute. Section 110(5) does not say that a person, company, or other entity must own or operate only a single receiver to qualify for the exemption; it refers to 'the communication of *a* transmission embodying *a* performance . . . of *a* work.'" *Edison*, Slip Op. at 5. (emphasis in original).[3/]

b. No Court Has Ever Denied the § 110(5) Exemption Where the Radio Equipment Was "Of a Kind Commonly Used in Private Homes"

BMI argues that the Eighth Circuit erred in failing to hold that Edison does not comply with § 110(5) because Edison does not meet unwritten "maximum size" and "inability to pay" criteria that BMI contends limit the application of the statute. For this reason, BMI argues that the Eighth Circuit is in conflict with "virtually every case decided in the 16 years since the enactment of the 1976 Copyright Act.". Petition at 14, 18.

BMI derives its proposed size and financial means criteria not from the text of the statute, but from BMI's interpretation of the legislative history, a prior Supreme Court decision under the 1909 Copyright Act, and

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3/ The statutory definition of "public performance" also indicates that § 110(5) applies separately to each location at which a radio is operated. 17 U.S.C. § 101 ("To perform or display a work 'publicly' means-- (1) to perform or display it *at a place* open to the public or *at any place* where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered . . . ") (emphasis added).

matters outside any legislative or judicial record. For example, BMI's proposed "maximum size limitation" of 1055 square feet of leased space is not found in any source predating the enactment of § 110(5). *See Edison*, Slip Op. at 8 & n.5. As the Eighth Circuit stated, "BMI is not asking us to use legislative history to assist in clarifying an ambiguous statute; we are being asked to use legislative history to rewrite the section 110(5) exemption to add new requirements." *Edison*, Slip Op. at 6.

Although some courts have made reference to the size or financial means of an allegedly infringing party, no court has ever stated that the § 110(5) exemption should be denied, regardless of whether or not the equipment at issue was "homestyle," based solely on the size and financial means criteria advocated by BMI. No court has ever denied the homestyle equipment exemption where, as here, it was undisputed or established at trial that the allegedly infringing party used receiving equipment "of a kind commonly used in private homes."

Including this case, there have been a total of six circuit court decisions applying 17 U.S.C. § 110(5). In the most recent case, the Seventh Circuit affirmed the application of the exemption to a chain of retail stores with many similarities to Edison, on the grounds that the equipment at issue was "of a kind commonly used in private homes." *BMI v. Claire's Boutiques, Inc.*, 949 F.2d 1482 (7th Cir. 1991), *petition for cert. filed* No. 91-1437 (U.S. March 10, 1992).

The four prior circuit court cases all involved equipment that was not of a kind commonly used in

private homes. *Sailor Music v. The Gap Stores*, Inc., 516 F. Supp. 923 (S.D.N.Y.), *aff'd per curiam*, 668 F.2d 84 (2d Cir. 1981), *cert. denied* 456 U.S. 945 (1982) ("rather elaborate sound system"); *BMI v. United States Shoe Corp.*, 678 F.2d 816 (9th Cir. 1982) ("commercial monaural system with [four] widely separated speakers of a kind not commonly used in private homes."); *National Football League v. McBee & Bruno's, Inc.*, 792 F.2d 726 (8th Cir. 1986) (satellite dish television); *International Korwin Corp. v. Kowalczyk*, 855 F.2d 375 (7th Cir. 1988), *aff'g* 655 F. Supp. 652 (N.D. Ill. 1987) (eight ceiling speakers attached via concealed wiring to commercial grade Grommes receiver).

Likewise, the various district courts that have applied 17 U.S.C. § 110(5) have never denied the homestyle equipment exemption where the equipment at issue was "of a kind commonly used in private homes." As the court below stated:

> Having reviewed these cases, we reject as totally inaccurate BMI's assertion that "in virtually every case the excessive square footage of the defendant's store alone was found to disqualify the defendant from invoking the Section 110(5) exemption." [citation] The fact is that in none of these cases did the court base its decision solely on the square footage of the stores without considering the nature of the equipment, i.e., whether it was "homestyle," nor did any of them declare that they would have reached the same result based only upon the square footage of the infringing stores.

Edison, Slip Op. at 9.

II. Congress Has Already Determined that § 110(5) Complies with the Berne Convention

BMI and amicus curiae Groupement Europeen des Societes d'Auteurs et Compositeurs ("GESAC") argue that the decision of the court below has placed the United States in violation of the Berne Convention and contravenes the Berne Convention Implementation Act of 1988 ("BCIA"), Pub. L. No. 100-568, 102 Stat. 2853 (1988). *See* Brief of Amicus Curiae at 4. The Eighth Circuit correctly rejected these arguments.

a. The Decision of the Court Below Is Completely Consistent with the BCIA

The argument that the decision of the court below violates the BCIA is simply a reiteration of the argument that § 110(5) contains unwritten "maximum size" and "inability to pay" criteria. BMI and GESAC argue that prior cases imposed such requirements, and that the Eighth Circuit's decision "expanded" § 110(5) beyond the intention of the Congress that enacted the BCIA. Brief of Amicus Curiae at 10-11, *see also id.* at 11 (arguing that § 110(5) exemption "is not available to businesses financially capable of paying normal copyright license fees"). The Eighth Circuit rejected BMI's gloss on the prior case law as "totally inaccurate," *Edison*, Slip Op. at 9, and rejected the argument based on the BCIA for the same reason:

> The flaw in BMI's argument is that the District Court's interpretation of section 110(5) does not expand the homestyle exemption, but merely declares that the

> statutory language means what it says. We cannot presume that Congress, in enacting the language, intended something else, and we know that Congress declared its handiwork to be consistent with the Berne Convention. Congress thus declared the public policy of the United States and, for us, that is the end of the matter.

Edison, Slip Op. at 14.

b. The Homestyle Equipment Exemption Is Completely Consistent with the Berne Convention Itself

Although Congress has determined that § 110(5) complies with the Berne Convention, BMI and GESAC nevertheless argue that the decision of the court below violates Article 11*bis*(1)(iii) of the Berne Convention, which allows composers "the exclusive right of authorizing . . . public communication [of a work] *by loudspeaker or other analogous instrument*" (emphasis added). *See* Brief of Amicus Curiae at 6. The Berne Convention does not define the phrase "loudspeaker or other analogous instrument," which on its face encompasses all manner of public address systems and the playing of pre-recorded music rather than radio broadcasts. The relation of Article 11*bis* and § 110(5) was among the subjects analyzed, prior to U.S. ratification of the treaty, by the U.S. Copyright Office and a group of eminent scholars, commentators and representatives of affected groups (including BMI) called the Ad Hoc Working Group on United States Adherence to the Berne Convention. *See* Brief of Amicus Curiae at 16. The Ad Hoc Group determined

that the purpose and effect of Article 11*bis*(1)(iii) -- like 17 U.S.C. § 110(5) -- is to distinguish between commercial equipment and simple home systems:

> In such a light, Section 110(5) would be compatible with the requirements of 11*bis*. The exemption does not extend to the use of "loudspeakers" or any sort of speaker arrangement which has the characteristics of a commercial sound system.

Final Report of the Ad Hoc Working Group on U.S. Adherence to the Berne Convention reprinted in 10 Colum.-VLA J.L. & Arts 516, 517 (1986). Thus, Congress determined that the limited exemption contained in § 110(5) for a "receiving apparatus of a kind commonly used in private homes" is completely consistent with Article 11*bis* of the Berne Convention.

On the recommendations of the Copyright Office and the Ad Hoc Group, Congress systematically amended the Copyright Act to ensure compliance with the treaty. *See, e.g.,* 17 U.S.C. § 116A (statute regarding juke box performances added to comply with Berne Convention). Congress made no change to § 110(5). Congress then declared that the Copyright Act, including § 110(5) as written, "satisf[ies] the obligations of the United States in adhering to the Berne Convention and no further rights or interests shall be recognized or created for that purpose." BCIA, Pub. L. No. 100-568, §2(3), 102 Stat. 2853, *quoted in Edison*, Slip Op. at 13-14; *see* 17 U.S.C. § 104(c). The court below correctly held that BMI may not invoke the Berne Convention as a means of restricting the

application of § 110(5) and impermissibly expanding the rights of authors.[4/]

CONCLUSION

The Copyright Act reflects a considered balance between the goal of providing an incentive for writers and composers and the goal of "promoting broad public availability of literature, music, and the other arts." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (footnote omitted). With regard to radio broadcasts, Congress struck that balance in 17 U.S.C. § 110(5) by exempting from copyright liability the public use of homestyle radio equipment. The decision of the Eighth Circuit correctly applied this statute to the facts of this case, and is consistent with the existing decisions interpreting the statute. BMI's Petition asks this Court to erase the line drawn by Congress and judicially legislate new criteria for § 110(5), for the sole purpose

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4/ GESAC also suggests that the decision of the court below has deprived its members of revenue. Brief of Amicus Curiae at 4. In fact, every BMI and GESAC composer whose songs are played on the radio receives compensation from the millions of dollars in license fees that BMI and GESAC collect from radio stations. The Berne Convention does not require that composers be paid endless compensation, but rather "equitable remuneration." Berne Convention, Article 11*bis*(2); *see* Brief of Amicus Curiae at 7.

of increasing BMI's revenue base. The Petition for a Writ of Certiorari should be denied.

Dated: April 13, 1992

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